

Buy

Current Price	7,975
2017E P/E	15.9
Target Price	9,200
2017E P/E	18.4

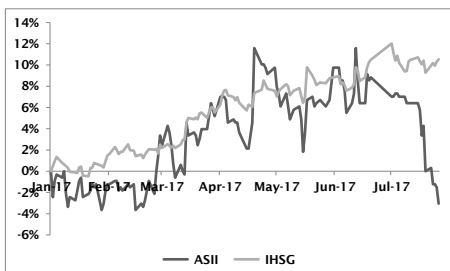
Misc Industry

52 week High	9,350
52 week Low	6,975
Market Cap (Rp tn)	323
Market Cap (US\$ bn)	24
USDIDR	13,325
Daily Average Vol ('000 shares)	35,884
Daily Average Val (Rp bn)	310
Daily Average Val (US\$ mn)	23.3

Major Shareholders (%):

Jardine Cycle & Carriage Ltd	50.1
Others under 5%	49.9

Relative Performance vs IHSG:



Business Segments, Contribution to Net Profit, 1H2017:

- Automotive (45%)
- Financial Services (22%)
- Heavy Equipment and Mining (22%)
- Agribusiness (9%)
- Infrastructure and Logistics (1%)
- Information Technology (1%)
- Property (1%)

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Encouraging growth yet more challenges still have to be answered

1H2017 Financial Performance

The group's consolidated net profit increased significantly by 31% in the first half of this year to 9.3 trillion rupiah from 7.1 trillion. The Automotive business segment which currently contributes 45% to profit, posted a moderate growth (9%) compared to other business segments such as Property (94%), Mining (83%), Financial Services (62%), and Agribusiness (32%), while the profit of Infrastructure (-21%) and IT (-25%) business segments declined.

Outlook

A moderate growth in the Automotive business segment is likely to continue, as the company will be faced with the possibility of increased competition in the 4W market, and declining 2W sales. However, a more positive and promising outlook could come from Palm Plantation business segment where it is expected to increase its contribution from the current 9% to profit, along with the possibility of recovery in CPO prices, where demand is likely to increase towards the end of year. The continuation of Bank Permata's financial performance improvement is also required, so that the Financial Services business segment, which currently contributes 22% to profit, continues its positive contribution to the company's profit growth.

Valuation and Recommendation: Buy, TP 9200

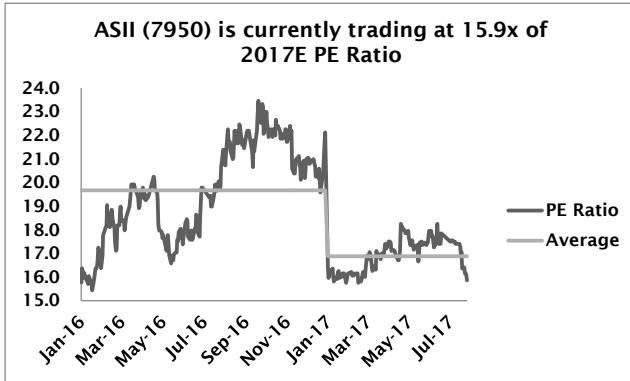
Our target price implies 18.4x of 2017E P/E Ratio of this year's EPS forecast of 501 rupiah. ASII (7950) is currently trading at 15.9x P/E Ratio, or still below its average which is at 16.9x. In April, it managed to break all-time-high at 9350. However, in order to achieve our EPS target, the company must improve qoq net profit growth. This can be a challenge that needs to be answered, considering 2Q2017 profit fell to 4.14 trillion rupiah (EPS 102) from 5.05 trillion (EPS 125) in 1Q2017.

Downside Risks

Our recommendation would be difficult to maintain if the company fails to achieve qoq profit growth, as the increasing competition in the automotive industry and the possibility of saturation in the coal market is expected to be some of the main causes. The presence of Mitsubishi Expander is feared to increase the discount on Avanza products that are competing in the same segment, and the high appreciation of coal price to date is certainly very vulnerable to correction. Increased competition among coal mining contractors should also be a concern, as we expect overburden removal rates are likely to fall in the future along with increasing bargaining power of coal miners to its contractors. Since the turnaround of coal prices occur last year, several companies in the mining contracting business have also increased its production capacity.

PT. Astra International, Tbk (ASII)

Complementary Data

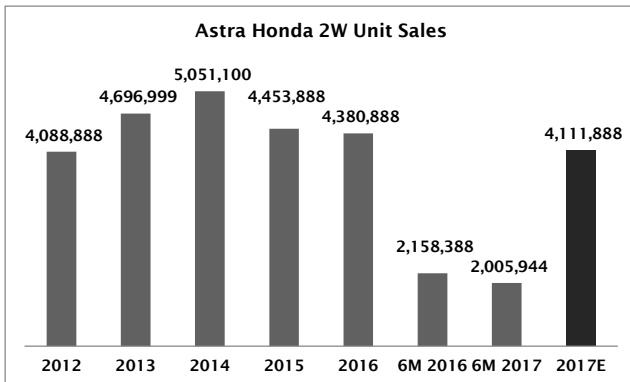


ASII (7950) is currently trading at 15.9x PE Ratio based on our 2017E EPS at Rp501. Still below its average at 19.7x last year and 16.9x this year.

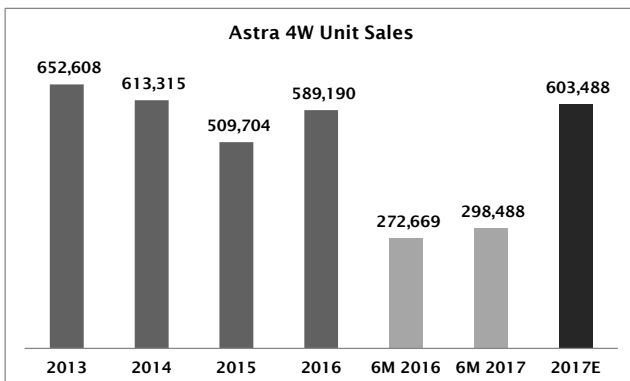
Buy on Weakness.

Some assumptions we use for DCF valuation:

Beta	1.20	Debt	70,024
Rp	8.0%	Equity	154,852
Rf	7.0%	Debt + Equity	224,876
Tax rate	17.8%	D / (D+E)	31.1%
Re CAPM	16.6%	E / (D+E)	68.9%
		Rd	6.3%
		WACC after tax	13.0%
		Growth	5.0%



We expect Astra Honda's 2W sales will continue to decline by 6.1% until the end of year to 4,111,888 units from 4,380,888 last year.



We expect Astra's 4W sales will grow moderately by 2.4% this year to 603,488 units from 589,190 units last year.

PT. Astra International, Tbk (ASII)

Financial Performance

Income Statement

(bn Rp)	2016	2017E	2018E
Revenue	181,084	203,031	227,192
Gross Profit	36,432	41,762	44,984
EBT	22,253	29,793	32,316
EAT	18,302	24,503	26,579
Net Income	15,156	20,291	22,010
EPS	374	501	544

Current Price	7,975		
P/E	15.9		
Target Price	9,200		
P/E	18.4		
Market Cap (Rp tn)	322.9		
Market Cap (US\$ bn)	24.2		

Ratios & Margins:

Revenue growth	-1.7%	12.1%	11.9%
Gross Profit margin	20.1%	20.6%	19.8%
Net Profit margin	8.4%	10.0%	9.7%
Net Profit growth	4.8%	33.9%	8.5%
DPR (as paid)	44.9%	44.9%	44.9%
DPS (as paid)	168	225	244
BVPS	3,456	3,825	4,238
ROA	5.8%	7.3%	7.4%
ROE	10.8%	13.1%	12.8%
Total Debt	70,163	70,024	70,339
Net Debt (Cash)	40,806	30,138	17,615
DER	29.2%	19.5%	10.3%
DPS (as paid)	168	225	244
DPR (as paid)	44.9%	44.9%	44.9%

Cash Flows

	2016	2017E	2018E
Chg in work cap	(9,784)	(107)	(155)
Net income	15,156	20,291	22,010
Depreciation	3,502	3,750	3,675
Net CF From Operation	8,874	23,934	25,530
Capex	(5,037)	(7,980)	(7,781)
Net CF From Investing	(5,037)	(7,980)	(7,781)
Loans and Debts	261	(146)	309
Employee Benefit Liabs	(60)	66	86
Non Ctrlng Int	3,465	2,986	3,338
Chg in Equity	1,255	1,072	1,233
Dividend	(6,801)	(9,105)	(9,877)
Net CF From Financing	(1,880)	(5,127)	(4,911)

Equities

	2016	2017E	2018E
Issued & fully paid capital	2,024	2,024	2,024
Additional paid in capital	1,139	1,139	1,139
Retained earning	101,642	112,530	124,663
Appropriated	425	425	425
Unappropriated	101,217	112,105	124,238
Other rsv, equity chg	7,146	8,218	9,451
Minority Interest	27,955	30,941	34,279
Total Equity	139,906	154,852	171,556

Balance Sheet

(bn Rp)	2016	2017E	2018E
Assets			
Cash	29,357	39,886	52,724
Other Investments	899	912	926
Receivables	18,946	18,757	18,569
Financing Receivables	33,216	33,714	34,220
Other Receivables	3,964	4,023	4,084
Inventories	17,771	18,038	18,308
Prepaid taxes	4,443	4,510	4,577
Other prepayments	1,807	1,834	1,862
Total Current Assets	110,403	121,674	135,270
Financing Receivables	31,423	31,109	30,798
Other Receivables	1,942	1,961	1,981
Investment in assc & joints	33,987	34,327	34,670
Other investments	6,372	6,308	6,245
Deferred tax assets	3,980	4,020	4,060
Investment properties	6,183	6,245	6,307
Plantations	6,675	6,742	6,809
Fixed Assets	43,237	47,467	51,573
Mining properties	4,613	4,567	4,521
Concession/ Joint operation	5,987	6,047	6,107
Goodwill	1,974	1,994	2,014
Other intangible assets	2,072	2,093	2,114
Other assets	3,007	3,037	3,067
Total Non Current Assets	151,452	155,916	160,266
Total Assets	261,855	277,590	295,536

Liabilities

	2016	2017E	2018E
Short term borrowings	18,764	19,139	19,522
Payables	22,489	22,939	23,398
Other liabilities	7,596	7,748	7,903
Taxes payable	1,851	1,888	1,926
Accruals	6,174	6,297	6,423
Employee ben obligations	420	428	437
Unearned income	4,436	4,525	4,615
Current portion of LT debt	27,056	26,785	26,518
Bank loan	15,104	14,953	14,803
Debt securities	11,264	11,151	11,040
Finance lease	688	681	674
Total Current Liabilities	89,079	90,049	91,046
Other Liabilities	232	230	234
Unearned income	1,873	1,901	1,882
Deferred tax liabilities	1,641	1,625	1,608
Provisions	207	210	214
Employee ben obligations	3,827	3,884	3,962
Long term debt	25,090	24,839	25,033
Bank loan	10,195	10,093	9,992
Debt securities	14,836	14,688	14,981
Finance lease	59	58	60
Total Non Current Liabs	32,870	32,689	32,934
Total Liabilities	121,949	122,738	123,981

Source: Financial statement, Reliance Sekuritas Indonesia research estimate

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